



INDIANA UTILITY REGULATORY COMMISSION
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INDIANAPOLIS, INDIANA 46204-2764

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**PETITION OF SOUTHERN INDIANA)
GAS AND ELECTRIC COMPANY FOR)
APPROVAL OF A DEMAND SIDE)
MANAGEMENT PROGRAM, OF A)
DSM TRACKING PROVISION UNDER)
IC 8-1-2-42(a) FOR THE PURPOSE OF)
FUNDING RECOVERY OF DEMAND)
SIDE MANAGEMENT EXPENDITURES))
FOR BOTH THE GAS AND ELECTRIC)
UTILITIES, AND OF RECOVERY)
OF LOST MARGIN DUE TO)
IMPLEMENTATION OF NEW DSM)
MEASURES, CONSISTENT WITH THE))
PROVISIONS OF IC 8-1-8.5 et seq.)**

FILED

JUN 25 2003

INDIANA UTILITY
REGULATORY COMMISSION
CAUSE NO. 42418

You are hereby notified that on this date the Indiana Utility Regulatory Commission ("Commission") has caused the following entry to be made:

The Presiding Officers have reviewed the information filed in this proceeding and have determined that the Settling Parties should supplement its testimony as necessary in order to be prepared to respond to the following questions at the Evidentiary Hearing in this cause currently scheduled for June 26, 2003 at 1:30 a.m. in Room E-306 of the Indiana Government Center South, Indianapolis, Indiana:

1. Page 3, paragraph 5 of the Settlement Agreement states that, the Parties agree that the DSM Administrator will be provided with \$3 million of funding each year for the DSM Program, to be used in a manner consistent with guidelines established by the Advisory Board.

- a) Please provide the guidelines established by the Advisory Board, or if the guidelines are not available, please indicate when the Parties believe the guidelines will be available.
- b) Please indicate the role that the Parties anticipate that the Commission will play in reviewing the guidelines.

2. Page 7, continuation of paragraph 15, subparagraph a, of the Petition indicates that: "As demonstrated by IRP analysis, this level of DSM funding has a positive net present value versus other resource options."

- a) Please provide a copy of the IRP analysis referenced in this section.

- b) Please indicate whether the DSM programs are intended to induce conservation or shave peak.
- c) Please indicate why the Parties believe that this DSM program will prove to be cost effective and explain how the cost effectiveness of the program should ultimately be evaluated and demonstrated to the Commission.

3. On Page 5, Q\A number 9, of Mr. Goebel's prefiled testimony he indicates that the benefits to Vectren Energy and its customers from this DSM program include the delay of gas peaker construction and the delay/reduction of capital requirements related to supply side alternatives during a period of financial market uncertainty.

- a) Please indicate why the Parties believe that the proposed DSM expenditures will ultimately allow for the delay of gas peaker construction and/or the capital requirements related to supply side alternatives.
- b) Please indicate how the Parties believe the accuracy of this objective should be evaluated by the Parties, and demonstrated to the Commission.

4. Page 3, paragraph 6, of the Settlement Agreement states that: "In order to implement the new DSM Program, the Parties agree that Vectren Energy must be authorized to recover, via a tracker mechanism, ...the deferred costs that have accumulated over the past decade associated with its significant DSM efforts during that time period. Such accrued DSM costs were previously approved for recovery, will be spread over a ten (10) year recovery period ending in 2013, and will include carrying costs calculated at a rate below what Vectren Energy earns on other utility investments such as clean coal technology."

- a) Please indicate the rate that the Parties propose to use to calculate the carrying costs.
- b) Page 4, paragraph E, of the Commission's July 3, 1996 Order in Cause No. 40322, states that: "The deferred non-equipment costs and expenses shall only accrue the debt component of AFUDC and the accrual of the debt component of AFUDC shall be limited to and shall permanently end three (3) years from May 8, 1996." Please indicate whether the Parties in this proceeding are seeking to modify this provision of the Commission's July 3, 1996 Order.

5. Page 4, paragraph D, of the Commission's July 3, 1996 Order in Cause No. 40322, states that, "Petitioner's prudent DSM equipment costs shall be classified as electric general plant and be depreciated commencing January 1, 1994, accruing on the basis of a 13-year life, however any party shall have the right to challenge application or continuance of the afforsaid in Petitioner's next general rate case."

- a) Please provide a schedule that supports the DSM equipment costs that have been classified as electric general plant by year and by DSM equipment item.
- b) Please provide a schedule of the associated depreciation. The schedule should provide the information by year and by DSM equipment item.

- c) Please indicate whether SIGECO has recorded any carrying costs on these items, and if it has please provide a schedule for the carrying costs.
- 6. Please provide a schedule supporting the \$28.7 million of deferred DSM costs by year.
 - a) Please indicate whether these amounts were deferred in accordance with previous Commission orders.
 - b) Please describe the parameters SIGECO has been subject to for the deferral of DSM costs since 1991, and reconcile the deferral by year to the provisions contained in any applicable Commission orders.
 - c) Please indicate the amount of DSM cost recovery that is built into SIGECO's current base rates.

6. Page 8, caption (b), of the Petition indicates that: "The Petitioner requests that the Commission authorize Petitioner to implement the DSM Tracker shown in Exhibit A to the Agreement as a tariff rider to be used to recoup DSM costs, past and future, from retail electric and gas customers..."

- a) The DSM tracker shown in Exhibit A appears to be an estimate of the amount to be recovered each year through the tracking mechanism. Please indicate whether the Parties plan to provide a copy of the actual schedules that they intend to file with the Commission, along with an indication regarding how often the Parties plan to file the tracking mechanism.

7. In light of the current natural gas prices, please indicate whether SIGECO considered implementing gas DSM/conservation/rebate/educational measures this year.

IT IS SO ORDERED.

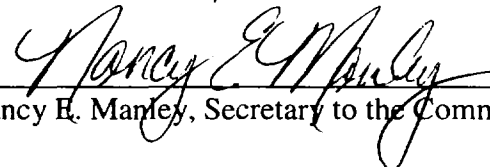


Judith G. Ripley, Commissioner



Scott R. Storms, Chief Administrative Law Judge

Date: 6/25/03



Nancy E. Manley, Secretary to the Commission